

**Statement  
Insurance Association of Connecticut  
Insurance & Real Estate Committee**

**March 8, 2016**

**HB 5520 AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE  
INSURANCE POLICIES**

My name is Dallas Dodge, and I serve as Counsel to the Insurance Association of Connecticut ("IAC"). The IAC opposes House Bill 5520, **An Act Concerning Homeowners and Motor Vehicle Insurance Policies.**

HB 5520 would have a direct and adverse effect on the property and casualty insurance marketplace in Connecticut, to the detriment of personal and commercial insurance consumers across the state.

Sections 1 and 2 appear to be an effort to prohibit insurers from recognizing the proximity of one residential property to another in their rating plans. It is a simple fact, however, that with increased density of residential dwellings, there is a greater likelihood that a loss of some magnitude on one property could cause damage to a neighboring property, especially in instances of fire. In order to be fair and equitable, rating plans should be able to reflect that fact.

Unlike versions of this bill from previous years, HB 5520 would limit the prohibition on proximity-rating to owner-occupied buildings with four or fewer dwelling units. Such an arbitrary limitation only serves to highlight the underlying problem with the bill. Neither the number of dwelling units in a home nor the fact that it is owner occupied have any bearing on the danger posed by nearby buildings. Ultimately, HB 5520 may result in unfair cross-subsidization of premiums.

The IAC also opposes section 3, which would require notice of cancellation to be sent return receipt requested. In an age in which most states are embracing electronic communication, such a requirement would be a step backwards for Connecticut.

The new requirement would also appear to serve almost no purpose. As the bill is currently drafted, it does not appear that the failure to return or sign a receipt would have any legal effect on the validity of a notice of cancellation. Moreover, such a requirement would be completely untenable. This is because the postal service only requires a return receipt be signed by a person at the address a letter is sent to, and that person may not necessarily be the policyholder. Further, most cancellation notices are sent for nonpayment, and such a policyholder would have little incentive to acknowledge receipt of their cancellation notice. The requirement would present serious practical problems, as many insurers would be required to track and maintain return card receipts for no purpose. Finally, cancellation notices are already required to be sent via certified mail, and return receipts would nearly double the cost of postage. In sum, Section 3 would place a needless financial and administrative burden on insurers, and the costs would ultimately be passed onto consumers.

The IAC also opposes section 3, which would prevent automobile insurers from requiring a minimum coverage amount that is greater than the statutory minimum for purposes of issuing or renewing an automobile policy. The IAC sees no reason for such a restriction, as it could have a counterproductive effect on the availability of automobile insurance in this state and potentially reduce the amount of money available to victims of accidents. Some insurers may make the business decision to require a higher minimum coverage amount, either for the purposes of better managing risk or to target

different parts of the population. Additionally, auto liability coverage provides financial resources to payout claims for serious bodily injury or death. Steps to discourage higher coverage amounts may have the effect of reducing money available to pay victims and protect the assets of drivers.

In sum, HB 5520 would have a direct and adverse effect on the property casualty insurance marketplace in Connecticut, and it would negatively impact personal and commercial insurance consumers across the state. The IAC urges rejection. Thank you for the opportunity to present our viewpoint.